



The Bulletin

Defense Contract Audit Agency/Cameron Station, Alexandria, VA 22304-6178

Agency selects Barbara Morris as Auditor Trainee of the Year

Barbara K. Morris, an auditor-trainee at the Lowell Plant Suboffice, Raytheon Missile Systems Division, Boston Region, is the 1984 DCAA Outstanding Auditor Trainee of the Year.

Morris joined DCAA in March 1980 as a clerk. Armed with a bachelor's degree in Political Science and French from Gettysburg College, and experience from studying at the Sorbonne and the University of Durham, England, she entered the Agency's Upward Mobility Program in September 1981 in an effort to gain the necessary accounting credits to begin her career as an auditor.

After completing the Upward Mobility Program's academic requirements, she continued taking accounting courses at Bentley College to better prepare herself for the CPA exam, which she sat for in November. Once she passes the exam, she plans to enter graduate school. In addition to her individual education efforts, Morris has aggressively pursued Agency educational opportunities, making it known that she is a willing last-minute substitute for training at DCAI.

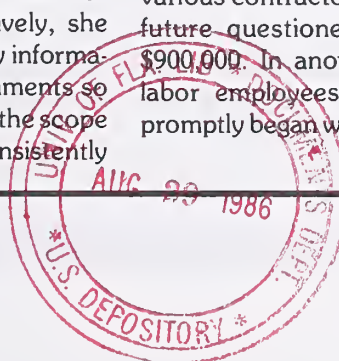
According to the write-up that recommended Morris for the award, her "keen insight, professional curiosity and initiative far exceed anyone's expectations of a GS-7 auditor trainee. Constantly alert for ways to use audit resources more effectively, she demonstrates an exceptional ability to apply information and observations from previous assignments so that she may participate fully in determining the scope of current and subsequent reviews. She consistently



assesses data in terms of its significance to the overall audit mission, rather than strictly in terms of her specific assignments.

"One example of Barbara's keen awareness of her audit environment is the investigation she conducted after observing questionable accounting treatment on various contractor projects; she identified actual and future questioned overhead costs approximating \$900,000. In another instance, she observed direct labor employees taking unauthorized breaks and promptly began working with contractor management

cont'd page 9



Director's message

I would like to wish you and your loved ones a very Happy New Year. I hope that 1984 was a successful year and that you will have a healthy and prosperous 1985.

Celebration of the New Year is most often a bittersweet occasion. We are saddened by the passing year and the nostalgic remembrance of happy times and faithful friends. While we nosily welcome the new year, there is a nagging and undeniable awareness that, in many ways, we will never pass this way again. But, while acknowledgement of this inevitability tempers our revelry, celebration of the new year is predominantly one of great expectations and optimism. No matter what troubles we've seen or burdens we've borne, the uninhibited joy of our New Years' celebrations is an expression of our undaunted faith in the future. I believe this irrepressible confidence and optimism are the essence of the American character and spirit.

I think we in DCAA manifest this spirit. We experienced years of continually increasing workload without any prospect of additional staffing, and served without recognition of the individual and collective sacrifices that were being made to meet the Agency's mission. Nonetheless, we entered each new year with the stubborn conviction and optimism that no matter what the hardships or difficulties, we were going to do the very best job possible. And, as the record shows, we did!

For DCAA, 1985 is a particularly significant year. We will observe the Agency's twentieth anniversary. It was on January 8, 1965, that Mr. William B. Petty was selected by the Secretary of Defense as the Agency's first Director, and on July 1st of the same year, DCAA became officially operational as the organization with exclusive responsibility for performing contract audits for the Department of Defense.

The challenges we faced in 1965 were great, but those we confront in 1985 are no less vital or compelling. The world has changed during the past 20 years and so has the role and importance of DCAA in the Department of Defense. With the passing of each of those 20 years, the DoD, the Congress, and the public have looked increasingly to DCAA as the means of assuring that the funds that were devoted to the nation's defense would be properly, efficiently, and wisely spent. This is no small responsibility.

I am proud of the Agency's accomplishments and am confident that we are equal to the demands of the future. Ours is a legacy of excellence and commitment to the highest standards of quality and achievement as exemplified by our accomplishments of 1984. During the past year, we continued to provide timely and professional audit and financial advisory services to contracting and acquisition officials which materially assisted them in performing their mission and contributed to the nation's defense. The savings that resulted from our efforts returned to the taxpayer approximately \$51 for every dollar spent on Agency operations. The rest of the world should do so well.

It is well that we pause with the beginning of each new year and take stock of our personal and professional lives. It is a moment of rejuvenation and resolution. But in the life of an organization, the ending of one year and beginning of the next are not so well defined or impelling as the calendar suggests. An organization's life is a continuum of experiences and events which mark the passage of time and growth. For an organization, some of these events are so significant that they warrant observation and celebration equal to the beginning of the astronomical year.

The annual DCAA management conference in Olive Branch, Mississippi, is such an event. In many ways, Olive Branch represents a "new year" celebration in DCAA for it is a time when we reflect upon the past year's accomplishments and plan for the future.

For the past four years, we have brought together representatives from every level of management and supervision within the Agency. Last year at Olive Branch IV, we also invited representatives of the FAO administrative support staffs. Our purpose in bringing these people together each year is to acknowledge that the source of this Agency's success and lifeblood of its creativity lie outside the Headquarters at Cameron Station. Through the Olive Branch conferences, we have tapped this talent and ingenuity for identifying problems which the Agency faced and for formulating solutions to these problems.

Olive Branch has been an unqualified success. The recommendations, initiatives, and accomplishments that came out of the last four conferences are too numerous to list. It is not an exaggeration to say that they have changed and will continue to change our lives within DCAA. The idea of developing and issuing minimum annual audit requirements (MAARS) came out of Olive Branch I. Major structural and operational objectives for the DCAA Integrated Information System (DIIS) were developed at Olive Branch III. The ideas that came out of Olive Branch IV resulted in an examination and prospective changes to our FAO staffing model, gave new impetus and direction to DIIS, and provided the framework for developing a performance evaluation system that discourages singular reliance on statistics.

I have great hopes that our past successes will be repeated at Olive Branch V which will be held in April. The theme of this year's conference will be "Quality in Resource Development and Application" and will cover both career management and audit planning. Specific details on the conference will be published soon as will the invitations to attend. Once again, we will seek to obtain a cross section of Agency personnel who are familiar with and involved in the programs and issues that will be explored.

Once again, accept my best wishes for a Happy New Year. As we complete our twentieth year, I look forward to joining with you in meeting the grand challenges that the future holds.



C. O. STARRETT, Jr.

Table of Contents

Agency selects Barbara Morris as Auditor Trainee of the Year	Page 1
Director's message	Page 2
A strategy for labor audits	Page 5
<i>By T. J. DiSanto, OAT, Philadelphia Region</i>	
John McGregor: Rhode Island Silver Medal Winner	Page 7
<i>By John Caputo, Boston Region</i>	
Another perspective on public service	Page 8
<i>By Roger Kriesch, Headquarters</i>	
Professional responsibility and attitude for learning	Page 10
<i>By Lawrence V. King, Silver Spring Branch Office</i>	
Auditing in the Olympics	Page 11
<i>By David B. Vargas, Los Angeles Branch Office</i>	
10.94% Rate Effective Nov. 1984—April 1985	Page 12
The challenge to be(e) manager of your job	Page 13
<i>By James H. Schuchardt, Beltway Branch Office</i>	
From Wang to DEC	Page 14
<i>By Joanne Kacvinsky and Nancy Jean, Boston Region</i>	
How to "Take a Briber"	Page 15
Key personnel actions	Page 16
People on the move	Page 17
Award winners	Page 18
Professional Activities	Page 19

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A strategy for labor audits

By T. J. DiSanto
Supervisory Auditor
OAT, Philadelphia Region

Statement on Auditing Standards (SAS) 47 requires that risk and materiality be considered together in determining the nature, timing and extent of auditing procedures and in evaluating the results of those procedures. When auditing labor for government contracts, the concepts of risk and materiality take on added significance due to the varying conditions encountered at different contractor locations.

We find that consideration of risk and materiality in the labor audit arena means giving consideration to factors such as government participation, contract mix, dollar values, and prior audit experience. Applying SAS 47 requirements then becomes a difficult process requiring auditor evaluation of the risk and materiality factors pertinent to any particular situation.

Below is a strategy for labor audits that incorporates SAS 47 requirements and has proven to be effective and productive.

Labor Audit Strategy



Utilizing this strategy we can determine which labor charges we will review (*nature*), when we will review them (*timing*) and the scope of auditing (*extent*) we will apply. Presented below is a brief description of each step in our labor audit strategy.

General Survey. All labor reviews should start with an evaluation of the contractor's policies, procedures and practices for recording labor costs. The evaluation should take the form of a general survey and consider three significant criteria:

1. Adequacy
2. Compliance
3. Test

To begin with, the contractor's policies and procedures must be evaluated to determine if they are adequate. This is especially true in the area of timekeeping. Unlike other cost items, labor is not supported by third party documentation such as an invoice, purchase order or other receipt. The contractor must have adequate policies and procedures to ensure that source entries for labor are properly controlled. Adequate timekeeping policies and procedures include the following:

Manual System

- Employees should personally record their time
- Timecards should be filled out daily and in ink
- No erasure/white-outs should be allowed
- Corrections should be initialed by both supervisor and employee
- Distribution and collection of timecards should be adequately controlled
- New employees should be indoctrinated on proper procedures
- Periodic internal reviews should be performed to test compliance

Automated System

- Employees should personally input their time
- Data entry should be performed on a current basis
- Original entry data should be retained
- Changes to original entries should be identified and controlled
- Employee identification media must be adequately controlled
- New employees should be indoctrinated on proper procedures
- Periodic internal reviews should be performed to test compliance

Policies and procedures similar to these should result in practices that will provide for the proper control of labor source entries.

With an adequate system in place we must then determine compliance with generally accepted accounting principles and applicable government regulations. We must determine that contractor terms/definitions/guidance are in consonance with FAR/CAS requirements. We must assure ourselves that the

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contractor has not generated self-serving policies and procedures that give undue flexibility and latitude in the manner in which labor costs are recorded.

As part of our attest function we will want assurance that the contractor's policies and procedures are actually being implemented. This involves a physical test or inspection of the contractor's labor input records and the performance of floorchecks. A representative number of inputs must be examined to determine if the contractor's timekeeping practices are in compliance with stated policies and procedures. Testing would be performed to determine if contractor policies and procedures are evident during floorchecks and the review of source documents/inputs. If no exceptions are noted, we have reasonable notice that the contractor's timekeeping system is working properly. The absence of required procedures would be indicative of a breakdown in internal controls and represent a potential risk to the government.

Risk Analysis. Much has been said in the last few years about "risk" and risk management. Everyone seems to be familiar with the concept and willing to accept it as part of his daily routine. During audits of labor, risk management becomes the cornerstone for determining the nature, extent and timing of our reviews. Results of "risk analyses" will guide us in determining which accounts or departments will be reviewed (*nature*), what audit scope will be employed (*extent*) and when the audit will be performed (*timing*). However, before we can draw these conclusions, we must be sure that we understand what constitutes a "risk analysis".

When auditing labor, we can usually assess risk by asking ourselves the basic question, "Where can the government be hurt the most?" The end result is an identification of specific risk areas within the contractor's system that will require further review. Risk is usually the result of a combination of factors that influence the contractor's actions. For example, an overrun fixed price contract in itself represents little or no risk; when combined with high government participation and cost reimbursable contracts it becomes a high risk area because there is a chance that some overrun costs could find their way to the government cost reimbursable contracts.

This simple example demonstrates that risk analysis is not a scientific technique but rather more of an art form requiring the auditor to study contractor conditions, environments and factors and form judgments as to whether low risk or high risk conditions exist. To

accomplish this successfully we must know the contractor. We must be aware of all the factors (*internal and external*) that would have an influence on the manner in which labor costs are recorded. Representative of these factors are:

Area/Condition

- Headcount
- Mix of Contracts
- Internal Control
- IR& D/B&P Charging Patterns
- CD Procurements (Contract Definition studies are sometimes overrun in anticipation of future awards)
- Overrun Contracts
- Reorganizations/Reclassifications
- Budgetary Controls
- Adjusting Journal Entries/Labor Transfers
- Prior Audit Experience/Lead Sheets
- Selling and Marketing Expense (IR&D/B&P may be misclassified as this)
- Significant Increases in Indirect Labor Accounts
- Special Contract Provisions (may put a ceiling on certain costs)
- Off-site Locations
- Labor Accounting by Funding Practices
- Related/Similar Cost Type and Fixed Price Contracts
- Time/Material — Architect/Engineering Contracts

Analysis of individual factors and/or combinations of the factors listed above, and the results of the general survey of the contractor's policies, procedures and practices, should provide the auditor with enough background data to make an informed opinion as to where audit efforts should be concentrated. Given our limited resources, it is not possible to audit all labor costs in all situations. Risk management dictates that we concentrate or channel our efforts where they will be most effective and productive. This is accomplished by identifying particular contractor situations as high risk or low risk and applying appropriate auditing techniques in each situation.

Low Risk Techniques. Conditions identified as low risk will normally require only "attest" type auditing functions with minimal amounts of audit effort. Traditional attest techniques would be utilized

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—from page 6

with the audit scope limited to accomplishing each attest objective. Typically, these techniques would include a verification of the incurrence of the costs, a reconciliation with applicable accounting records and routine floorchecks of employees.

Under the risk management concept, minimal audit resources should be used in low risk situations. All situations cannot be audited to the same extent; a differentiation must be made so that resources can be committed where they are needed most. If we can minimize our involvement in low risk situations, we will have more resources available for high risk situations.

High Risk Techniques. Situations identified as high risk normally will involve extensive auditing efforts and a channeling of resources to each high risk area. Using low risk techniques, we were primarily concerned with the “attest” function, i.e., “*was the labor incurred?*” In high risk cases we must consider the propriety of the recorded labor. If the government is in a high risk situation, it is not sufficient that we only verify that labor is recorded. We must also determine that proper labor is recorded, i.e., the employee actually worked on the contract his/her time was charged to. To do this, comprehensive labor audit

techniques should be used.

Characteristics of a comprehensive labor review are:

- (1) it is current, (*interviewing employees about last year's timecharges is not usually productive*),
- (2) it encompasses all high risk factors (*comprehensive*),
- (3) it isolates each high risk population,
- (4) it includes pre-interview analysis for high risk employees (*normally a time-consuming step but nevertheless critical to the success of the audit*), and
- (5) it includes detailed employee interviews.

It is essential that adequate planning go into an audit of labor. This planning should include the development of a strategy to prevent us from auditing aimlessly. Differentiation must be made between high risk and low risk situations. All labor audits cannot be performed in the same way. To be productive and effective in our audits of labor, we must have a strategy that directs more of our resources to high risk situations.

John McGregor: Rhode Island Silver Medal Winner

*By John Caputo
Regional Audit Manager
Boston Region*

Who says the difficulty in passing the CPA exam increases proportionately to the length of time one has been out of college? Recently, John McGregor, supervisory auditor at General Dynamics/Electric Boat, was notified that he was the recipient of Rhode Island's silver medal for excellence in the May 1984 CPA examination: out of 230 candidates, McGregor had the second highest set of scores.

Not only are congratulations in order for a job well done, but McGregor's accomplishment sends a singular message to all of us “old-timers”: we not only can take the CPA exam successfully, we also can do it in style.

McGregor graduated from Providence College in

1964 and attained a MBA degree from Northeastern University in 1972. He has been with DCAA since the Agency's inception, and has been a supervisory auditor since 1980.

Motivated by the recent Agency emphasis on professional accreditation, he decided the timing was appropriate to invest the substantial personal time and effort required to accept the challenge of the CPA examination. The results are another in a continuing series of personal and professional success stories by DCAA employees.

As his regional audit manager, I take great pride in McGregor's performance on a difficult examination. In fact, all DCAA employees can share in the honor he has brought the Agency. His outstanding accomplishment should serve as an inspiration for everyone who has been thinking about pursuing this important professional milestone.

Another perspective on public service

By Roger Kriesch
Personnel Management Specialist
Headquarters

One of the more elusive issues currently being debated in both the private and public sectors is the need to deregulate government management. A noticeable consequence of this action, according to such proponents, would be to counter the indifference and control mentality that emerges from internal staff units (personnel, budgeting, administrative services, etc.), as well as from government-wide management agencies such as OPM, OMB, EEOC, etc., whose major purpose, from their viewpoint, is to torment public managers and obstruct their efforts to do what needs to be done.

Groups such as the Grace Commission and the National Academy of Public Administration (NAPA) suggest that government performance requires only a direct transfusion of business management practices to achieve dramatic improvements. I am not suggesting that this viewpoint has no basis in fact, however. I believe the prospect that government performance can be improved substantially must begin with an accurate perception of reality. Public performance must be judged in the context of its political setting, rather than in terms of the business world's market-based standard of cost efficiency and competitive performance. In private business, the goals are clear and measurable, such as profitability, market performance or competitive share.

In contrast, the Constitutional goal given the U.S. government was not to promote efficiency but to set up a system that would preclude the exercise of arbitrary power or abuse of authority on the part of the government. Hence, the functions of general management in the federal government are spread among competing institutions: the Executive Branch, Congress, and the Federal Courts. Thus, government managers rarely have a clear bottom performance line, but must serve many varied interests and are subject to intensive scrutiny by the media, press, citizen groups, beat reporters, taxpayer groups, legislative oversight committees, and judicial orders in ways quite uncommon in private business management.

Comparatively speaking, federal managers often must mediate decisions in response to a wide variety of pressures while being responsive to many superiors, whereas private managers look more to one higher authority. In private management, the law generally tells the manager what he **cannot** do; in public

management the law tells what he **can** and cannot do. This reality, combined with the continuous public scrutiny, understandably prompts greater constraints (*regulation*) on federal managers' freedom to act.

In sharp contrast to the private sector, to manage in the public sector is to function in a domain of competing values and a paradoxical environment which demands unequivocal fairness even at the expense of organizational performance or efficiency.

Our "*founding fathers*," in framing the Constitution expressed their great mistrust ("*The Federalist Papers*") of the concentration of powers in administrative agencies. In brief, on the one hand, they saw administrative power as an agent for social good. On the other, there was distrust of power as an incipient of wrongdoing. As a result, federal agencies are bound by the rule of law, procedures, and structures not found in the private sector. Sunset laws, personal financial disclosure, civil service protection, third-party administrative appeals procedures, audit and inspection surveillance, and accountability procedures are all examples of attempts to limit the behavior of public agencies and protect the citizens (or *civil servants*) from governmental abuse. As a result of these realities, public managers and agencies are forced to trade off between equity (*fairness*) and efficiency.

The notion that public management can function like private management misses the point. This is not to say, however, that public management performance cannot be improved. Instead, one must recognize the difficulty in applying private management methods to public management. There are no magical potions (e.g., *quality circles*, *sensitivity training*, *participative management*, etc.) that will necessarily bridge the paradoxes and inconsistencies in the public administration environment and automatically make operations more effective.

The difference in the public sector is that paradoxical forces are much more prevalent, run much deeper, and produce greater complications than those found in the business environment. For example, it is inconceivable in the private sector to understand the overriding concern in the public sector for safeguarding employee job rights as well as encouraging them to report questionable activities or spendings by their employer. Clearly, these activities would be viewed by private management as irrational and wholly nonproductive. As another illustration, consider the difficulty federal agencies have in shutting down or moving activities, even if they can prove it will

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—from page 8

save money. There are many ways to frustrate these efforts (*Congress, courts, media, local citizen groups, municipal action*) that do not exist in private industry to the degree that they do in government. Public management issues are not always decided in terms of cost efficiency or improved management. Instead, relatively greater stress is placed on ensuring equity among the different interests or constituencies.

People listen to what they want to hear, which may explain why almost everyone takes for granted that a significant body of private management practices and skills can be transferred directly to public management in a way that produces significant improvements in performance. As a case in point, the passage of the Civil Service Reform Act in 1978 introduced the merit pay system to federal supervisors and managers, and was hailed as a major milestone by bringing the concept of private management risks and rewards to the public service. Just four years after its introduction, the experiment was declared a failure by both the President and Congress, which recently passed legislation scrapping the merit pay distribution system in favor of one that provides more or less automatic payouts.

In summary, the merit pay system had a surprisingly weak impact on individual performance. Moreover,

federal employees and supervisors quickly withdrew their active support of the system as a result of their lack of trust and confidence in the critical assumption that performance in most federal jobs can be assessed in a relatively factual or statistical fashion, an essential condition for determining pay on a comparative basis. Merit pay eventually became an empty paperwork exercise which complicated the task of federal management.

In a democratic society operating under a system of laws, it is necessary to safeguard personal rights. The protection of these rights distinguishes the democratic from the totalitarian form of government. Our civil service system and government institutions may not be the most efficient in comparison to the business world, yet they have faithfully served the interests of **all** people, including those who have committed themselves to public employment. This principle still remains our best hope for maintaining a free and just society, now and in the years ahead.

The viewpoints and opinions expressed in this article are my own, yet I lay no claim to originality. In short, it would be simply impossible to acknowledge individually the many sources which contributed to the perspective that is contained in this article.

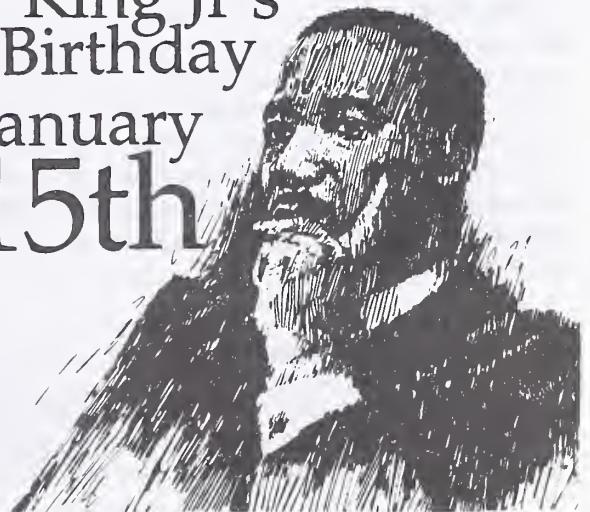
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to improve and monitor the supervisory and management controls over the nonproductive activities she had noted. In each of these cases, Morris immediately brought the matter to her supervisor's attention, suggested appropriate audit steps, and performed the audit virtually independently while coordinating and interpreting information from many contractor sources."

Morris has attended and actively participated in the Association of Government Accountants, Boston Chapter, meetings during the past three years. She is also the FAO's Federal Women's Program representative. Her community and civic involvement included volunteering her services to the American Cancer Society, serving as an American National Red Cross flood relief worker, a Family Planning Clinic counselor, and an instructor in a swimming program for mentally and physically handicapped children.

Morris was presented the Auditor Trainee of the Year award Dec. 14 during the Executive Conference at Headquarters.

Martin Luther
King Jr's
Birthday
January
15th



Professional responsibility and attitude for learning

By Lawrence V. King
Auditor
Silver Spring Branch Office

Among the hallmarks of a profession are the high standard of knowledge necessary for entrance and the continuing commitment and personal responsibility for maintaining and expanding knowledge while in the practice of the profession. Learning does not end when an individual passes a test or is promoted to the next level. In fact, situational changes create new learning opportunities which a true professional relishes.

A CPA in federal service is held to no less a standard of continuing knowledge and development than an individual in public practice. We **are** in public practice because ultimately our audits affect the public. At no time can the professional be satisfied with past accomplishments. In addition to academic credentials, the professional auditor must continually seek knowledge through appropriate questioning, professional reading and cooperative interaction with more knowledgeable people at all levels.

I want to know VS that's the way it is

In or out of the auditing environment, no one person has all the answers. Be on your guard when someone appears to be so blessed. More importantly, be careful of accepting answers from this type of person. Questioning an answer can be accomplished without rudeness. Personal knowledge is lessened by the acceptance of an incorrect answer because you relied on that answer and undoubtedly may pass it on to others as truth. The commitment to professionalism includes a polite skepticism mixed with a large hunger for wanting to know. This hunger, coupled with the need to know, will prevail. In the end, you will be better for knowing.

Why I want to learn

Extremely important to professional growth is the question, "Why do I want to learn?" Here, internal reasons are better than external ones. If an individual

can see learning as a true improvement of one's self, the learning will be better and quicker than if it is valued only for its monetary gain or advancement potential. The difference is attitudinal. At its core is the difference between having to learn versus wanting to learn. In the latter case, an individual may strive to learn on his own initiative. An auditor, in my belief, frequently has to hold his or her own learning sessions if he or she is to grow.

The approach to seeking knowledge

While much discussion focuses on setting goals, frustration often sets in because a person does not then focus on the proper actions necessary to reach the goal. It does **no** good to set a goal for two years hence, unless you come back to today and identify and do the first necessary step for its accomplishment. The word **today** here is most important as a springboard for that goal's accomplishment. When this is done successfully others will see you as dedicated, committed and professional. With a plan in mind you'll be more likely to learn by reading the next journal, listening to the next lecture, and working on the next project. Others will be surprised when they don't get things they want, and you'll be satisfied when you do.

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Auditing in the Olympics

*By David B. Vargas
Supervisory Auditor
Los Angeles Branch Office*

History will record the Los Angeles Olympiads as the best organized Olympic games ever held. The success of the Olympiads is credited to the Los Angeles Olympic Organizing Committee's Board of Directors, especially its president, Peter Ueberroth, and to the 40,000 proud Angelinos who volunteered their time. The volunteers came from all walks of life and each was a specialist in his/her own field. Medical doctors, registered nurses, police officers, controllers, CPAs, etc., were among the many professionals who contributed their time to the success of the Olympics.

In March 1983, while working as a mobile auditor at the Pasadena Branch Office, I learned that the Los Angeles Olympic Organizing Committee (LAOOC) was seeking volunteers to perform internal audits during the Olympics. One month later, I joined the LAOOC's staff and became its first volunteer internal auditor. Little did I know that this decision would result in a once-in-a-lifetime rewarding experience.

The internal audit department was established as an independent service function responsible for reviewing and appraising operations, and reporting the results to both the management and the board of directors. The department was headed by a director and five area managers. Each area manager was assigned to an area covering several event locations (venues). The volunteer internal auditors were assigned to specific areas. As a volunteer internal auditor, I was assigned to area number five which covered handball, the modern pentathlon, wrestling and shooting.

The managers of the internal audit department were paid professionals who had been working for the LAOOC for a year or so before the games were held. Their primary objective was to plan and implement audit programs designed to provide coverage of all key operations and functions. This objective was accomplished through preliminary surveys, system reviews, independent appraisals and compliance tests.

Prior to the games, several working sessions were held with the volunteers. The purpose of the sessions was to familiarize the auditors with each other, with the operations being examined, and with the areas of concern. During the games, which were held from

July 28 to August 13, 1984, we performed reviews to determine compliance with established policies and procedures. For each venue, audit programs had been developed for identifying key attributes to be verified for various activities. Some of the activities audited were novelties, ticketing, petty cash, Day-of-Event Program sales, food and beverage concessions, payroll, parking ticket sales, per diem payments, etc.

Audit assignments and a brief of the audit results were usually transmitted to or from the auditor or audit manager through an electronic mail system. At the beginning of each shift, I typically notified the area manager via electronic mail of my starting time and the location. At that time, I received instructions indicating audits to be performed during that day. At the end of the shift I placed my workpapers in a permanent file, and transmitted a brief of the audit results and notations of problems I had encountered.

At each venue, the Day-of-Event Event Programs were sold for \$3 per issue. We initially verified and recorded in our workpapers the number of programs delivered. Later that night, we met with an employee of the company that sold the programs and with the LAOOC vendor coordinator to observe the count of unsold programs. We then recorded the number of unsold programs in our workpapers and computed the amount owed to the LAOOC. The sales of the programs varied from venue to venue and could be significant in amount. For example, at California State University, Fullerton, where handball competition took place, the sales for the programs averaged about \$3,500 per day.

As in a commercial enterprise, each venue had its own petty cash fund. This fund ranged from \$1,000 to \$7,000 or more. In performing our audit duties, we counted the petty cash, examined the disbursement vouchers and reconciled the fund. More specifically, we examined the reimbursement for management's authorization, signatures of the recipient and custodian, agreement of the amounts paid with supporting receipts, and compliance with maximum disbursement amount limitation.

Payroll audits consumed a significant amount of audit time. This was because the game's payroll encompassed approximately 12,000 people who reported for work at more than 100 locations. We reviewed completed time sheets for the employee's

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—from page 11

signature, the entering of lunch periods taken, the total hours worked, and supervisory approval. We also observed the physical distribution of the paychecks and the safeguarding of unclaimed checks.

Some of the audits and problems I experienced were very similar to those in DCAA. For example, I performed perambulations in order to verify that food and novelty concessions were charging the prices set by the LAOOC. I performed floor checks of the security guards who were located at the various venues to verify that the guards identified were included in the daily roster and were actually working. I also observed the guard's roll call and even experienced a denial to access of records by one of the novelties concessionaires.

Many days the auditors were scheduled to work at two venues that were located miles apart or at venues that were a significant distance from their homes. In these instances, we audited at one site in the morning and at another in the afternoon or evening. Some nights I returned home very late because the job required a significant amount of travel. When this occurred, the LAOOC provided us with a "Crash

Pad" which was in a centrally located hotel. We cleaned up and rested for the few hours between events when we used the "Crash Pad". Although the actual hours worked were eight or less, the schedule of events could make it a 12-hour day. My first assignment took me to the city of Coto de Caza, site of the Modern Pentathlon. That day I woke up at 5 a.m., drove a total of 100 miles to the event, and did not return home until 7 that night.

In retrospect, I'm glad that I took annual leave to volunteer for the Olympics. Aside from having the opportunity to work with an outstanding group of people, I experienced the unforgettable moments in attending the final events for the soccer, boxing, wrestling, and handball competitions.

The LAOOC provided admission to these events free of charge. I have also learned to cherish the Olympic pins that were given to me by some of the international teams and the LAOOC. My participation left me with a feeling that I had contributed something extremely worthwhile. I left the Olympics with a feeling of success and a sense that I had participated in a great part of history.

10.94% Rate Effective Nov. 1984—April 1985

The market-based interest rate for Series EE Bonds issued between November 1, 1984 and April 30, 1985 is 10.94% for their first semiannual interest period. Older Series EE and E Bonds and U.S. Savings Notes will also receive this market-based rate for six-month interest periods which start between November 1, 1984 and April 30, 1985.

The average yield for Bonds held since the beginning of the market-based interest program is 10.00%. Average rates for all eligible Bonds are shown in the table below. Average yields change each May and November. The minimum guaranteed yield on Bonds held five years or longer is 7.5%.

Semiannual Market-Based Rates

Bonds Purchased	Annual Percentage Rates for Semiannual Periods					Average Rate
	1st	2nd	3rd	4th	5th	
Through April 30, 1983	11.09%	8.64%	9.38%	9.95%	10.94%	10.00%
May 1, 1983-Oct. 31, 1983	8.64%	9.38%	9.95%	10.94%		9.73%
Nov. 1, 1983-Apr. 30, 1984	9.38%	9.95%	10.94%			10.09%
May 1, 1984-Oct. 31, 1984	9.95%	10.94%				10.45%
Nov. 1, 1984-Apr. 30, 1985	10.94%					10.94%

These rates apply only to Bonds held five years or longer and to Bonds purchased before November 1, 1982, when they are held to their first interest-accrual date beginning on or after November 1, 1987.

The challenge to be(e) manager of your job

(A lesson from one of the wonders of nature)

By James H. Schuchardt

Supervisory Auditor

Beltway Branch Office

(Registered Beekeeper, State of Maryland)

Have you heard about the organization in which all the workers have automatic job advancement and are a success in every job that they do? The one that is so well managed by the individual worker that supervisors are unnecessary?

No, I am not dreaming, this is not the land of make believe, it is a beehive. Once we give pause to stop and examine, we will find that a beehive, with its inhabitant the honey bee, is a wonder to behold. All of us have seen the honey bees in the spring and summer, but few of us have ever stopped to examine their way of life and the message they have for us.

For example, the honey bee is an efficiency expert. Before the workers leave the hive, a small body of scout bees go out to discover the locations of the most plentiful supply of nectar; this prevents the workers from having to perform wasteful searches that will reduce productivity.

Let us examine this further. When a honey bee leaves the hive it must take enough fuel, in the form of honey, to last it through its flight out and back. A honey bee has a nectar/fuel capacity of about 20 minutes of flight. However, if a honey bee took off with 20 minutes of fuel for a five minute flight then the amount of nectar which she could carry on her return flight would be drastically reduced.

Conversely, if she only took three minutes of fuel for a five minute flight she would starve before she could return to the hive and her mission would have been in vain. Therefore, before leaving the hive she takes only that amount of fuel which will give her the most economical return for her effort.

At this point, let us stop and back up for a moment. How does the honey bee know the most economical amount of fuel to take? There is a very simple answer,

the scout bee communicates this information. After discovering the various sources of nectar, the scout bees return to the hive and communicates with the main workforce. We call this communication a bee dance, for it is a tail-wagging, figure-eight type of movement that gives directions.

The orientation of the figure-eight, relative to the vertical, corresponds to the compass bearing relative to the sun which must be flown to the nectar source. The length of time between successive center crossing of the figure-eight represents the distance to the nectar source. The tail-wagging indicates the abundance of the supply. With this information, every worker knows where to go, the number of workers to go, and the most economical amount of fuel to take.

Yes, the honey bee is a fascinating little creature, but now let's take a look at her society and see what else we can learn. The first honey bees we meet are the guards. Their purpose is to sound the alarm and do whatever necessary to keep intruders out of the hive, including other honey bees which are not members of that hive.

If the day is hot, we may find a line of honey bees at the entrance fanning their wings. This creates an air flow into the hive which will reduce the hive temperature. Likewise, if it is cold, the honey bees inside the hive will cluster together using their metabolism to heat the hive. This temperature control is very important, for the temperature must never vary by more than two or three degrees from 94° or the larvae (young) will die.

Inside the hive we find honey bees ripening nectar, that is, reducing every pound of watery nectar to about one-half pound of honey. We find other honey bees caring for the larvae while still others are making and repairing the comb.

The comb itself is another wonder of the honey bee society. The hexagonal cells which make up the honeycomb can be shown mathematically to be the only design that combines maximum strength and

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—from page 13

maximum capacity with minimum material. But if we consider that it takes 10 pounds of fuel (*honey*) one pound of the comb and that honey is the product of the hive, whereas the comb is only a means to that end, then we can see why this efficiency is so important.

Honey, the bee's final product, is also a marvel. It is one of the most durable products known to man. It will not spoil. When the pyramids of Egypt were opened, jars were found that contained a crystal substance, which when later analyzed proved to be pure granulated honey. Even though it was thousands of years old, the granulated honey was still edible.

With all these jobs to be performed, how do they ever get properly accomplished? Again, the honey bee has the perfect answer. The job assignment is based mainly on the development of the honey bee. For example, newly hatched honey bees spend the first three days of their life as honeycomb cleaners. From the third to sixth day of life they feed the older larvae.

Beginning with the sixth day and going to the thirteenth day of age, the honey bee works at providing nourishment for the younger larvae. The fourteenth to eighteenth day is then spent progressively advancing to secreting wax, building combs, ripening nectar and packing pollen. The next two days are spent as a guard.

Finally on the twenty-first day of her life, the honey bee begins that job, which aside from the egg laying of the queen, is the most important job for the continu-

ance of the hive. The honey bee is now ready to take on the task of a field worker for the remaining 10 to 15 days of her life. Thus, each honey bee does the job for which she is best suited, although she will take on any lower level job should the need arise.

At this point, let us leave the little honey bee and examine ourselves. Have we, audit managers, learned a lesson from her? If we can qualify by doing all of the following, then we can say — yes, little honey bee, I am now ready to become your student.

1. Survey the area to eliminate wasteful search prior to committing our main work force.
2. Give clear directions for the most profitable productivity.
3. Fit the work force to the task at hand.
4. Provide proper working conditions.
5. Solve all problems using the simplest practical solution.
6. Produce a product that is enduring.
7. Divide the work fairly among all workers.
8. Fit the worker to the job.
9. Provide continuous progressive levels of responsibility.
10. Always work towards the fulfillment of the group's responsibility.

From Wang to DEC

*By Joanne Kacvinsky, Auditor
and Nancy Jean, Accounting Technician
Boston Region*

In 1975, one of the authors, Joanne Kacvinsky, took a DCAA typing position that turned out to be laced with unexpected opportunities. In '81, the other, Nancy Jean, applied to DCAA with specific plans for a future career. What happened between '75 and '81 is called "*Upward Mobility*," — a program developed by pioneers who plotted a route for the DCAA administrative staff to follow towards an auditing career.

What did the program mean to the first candidates in '77? What does it mean to the most recent candidates in '84? Finally, what does it mean to DCAA?

At Raytheon Missile Systems Division, the typists of '75 and '81 are the candidates of '77 and '84. In '77, Upward Mobility accounting technicians were an unknown factor infiltrating the auditor ranks by the side door. They were a new kind of rookie: by night learning the fundamentals of accounting and by day trying to piece them all together in the world of auditing. Eventually, it all fit. Now, in '84, Nancy's foremost concern is when she'll have Joanne's confidence to say, "Oh sure, that's a good G & A rate" or "No, we'd better question the whole thing."

Joanne, on the other hand, finds this '84 rookie far better equipped than she was. Because the program has been in place for several years and successful candidates are available for advice, Nancy looks at

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audit operations in a different light and, consequently, sets her goals more carefully.

The combination of work and study is a key factor in the success of the program. For a period of one to three years, candidates work along with the auditors taking increasingly more difficult and responsible jobs. The training during this period parallels that of an auditor-trainee, and varies from candidate to candidate and office to office. The training and tailoring in this program offers the optimum benefit for the accounting technicians and the offices in which they are placed. Another ingredient to the success of the Upward Mobility Program is the importance of co-

workers. There are auditors in the office eager to give Nancy a hand with her homework problems, just as there was a group willing to provide an open forum at lunchtime to air Joanne's cost accounting problems.

In the seven years since the program started, attitudes have changed substantially. Upward Mobility candidates are no longer looked upon as unknown factors, but rather as assets because of their proven ability to carry their share of the audit workload. Where once there was a question about how the program should work at FAOs, the Agency now has a successful program that adds a chapter with each new candidate —onward and upward.

How to “Take a Briber”

A former government procurement analyst learned the hard way that accepting bribes can lead to real trouble.

The analyst, a GS-12 with 12 years of federal service, pleaded guilty to accepting approximately \$1,000 in cash from the president of a Connecticut firm for disclosing confidential pricing information.

A U.S. District Court judge placed him on five years probation and fined him \$2,000. The analyst resigned from government service the day after he was indicted.

Bribery is just one of the subjects covered in a new Department of Defense Inspector General publication, *“Indicators of Fraud in DoD Procurement.”* Some 50,000 copies have been distributed since its late-summer publication.

Michael Eberhardt, assistant inspector general for criminal investigations, policy and oversight, says the 56-page publication is an analysis of the primary indicators of various types of fraud that have been seen in the Department of Defense.

“The book,” he says, “is intended to sensitize Department of Defense procurement personnel to a variety of criminal, contractual, civil, and administrative abuses.” The book also identifies a list of remedies that can be used to rectify these problems.

Eberhardt says people who are offered a bribe should handle the situation very carefully. “I’ve personally seen cases where an employee is offered a bribe and responds, ‘No, and if you ever offer me a bribe again, I’ll turn you in.’”

That person, says Eberhardt, made two mistakes: “He made a mistake by not reporting the bribe, and he made the mistake of turning the guy off.” The correct way of handling an offer of a bribe, says Eberhardt, is to remain noncommittal. “Tell him you want to think about it, and then report the offer to one of the four Defense Department criminal investigation units.”

Those criminal investigation units are: the Defense Criminal Investigative Service, the Naval Investigative Service, the Air Force Office of Special Investigations, and the Army Criminal Investigative Command.

Key personnel actions

Sanft

J. Michael Sanft has been selected for the position of Regional Audit Manager, Los Angeles Region.

A graduate from California State University at Long Beach, Sanft began his career with DCAA in 1972 at the TRW Resident Office, Redondo Beach, Ca, where he was selected the Los Angeles Region Trainee of the Year. He has worked at several FAOs in the Los Angeles Region and the Los Angeles Region Special Programs Office.

More recently, Sanft served as the resident auditor at Rockwell International Corporation, Space Transportation & Systems Group, Downey, Ca. He completed the Director's Fellowship Program and has received a Master of Arts in Supervision and Management from Central Michigan University. He is actively involved in the AICPA and AGA.



Matter

Robert W. Matter was recently selected as the Boston Deputy Regional Director. He previously had been appointed as a regional audit manager in the Boston Region.

Matter has been in government service since 1965 and has been with DCAA since its inception. He has held various positions with the Agency in both the Chicago and Boston Regions. He has held the position of resident auditor at the Magnavox Branch Office, Fort Wayne, In. and branch manager, Pittsburgh, Pa., before being assigned to the Boston Region as a regional audit manager in 1982.

Matter holds a bachelor's degree in Business Administration from the University of Wisconsin at Milwaukee and a master's degree from Central Michigan University. He is a CPA licensed in the state of Wisconsin, and is a certified cost analyst. He is a member of the AICPA, the Wisconsin State Institute of CPAs, AGA, and the Institute of Cost Analysis.



People on the move . . .

Atlanta

Accessions

David C. Fletcher
Dale P. Atkin
John C. Wikoff
Norman P. McCord
Bobby Harty
Thomas Austin
Anna B. March
Tammey Wallace

Promotions

Robert Higgins
Geraldine Carroll
Antonio Grant
Byron Wood
Allison Metheny
Kathleen Shuttleworth
Stephen Murdock
Janice Russell

Reassignments

Dennis Murray
Robert Waggoner

Losses

Lynne Flowers
Carmen Haferkamp

Boston

Accessions

Edna Welch

Promotions

Margaret McEachern
Kenneth Smith
John DeCesare
Robert Quinn
Bridget Watkins
Chandara Pel
Paul Hawkes
Nancy Hunt
Ann Ring
Scott Cramer
Willie Gant
Richard Taylor

Reassignments

Joanne Elkowich
Richard Fields

Losses

David Lucas
Shek Mark
Mary Langston
Janet Stern

Award winners . . .

Atlanta

Quality Step Increase

Lawrence, Richard
McCloud, Viola
Barretta, Barbara
Laderer, David
Sager, Harriett
Traylor, Teddie
Goof, Willardean

Special Act Award

Easterday, Allen
Higgins, Robert
Sohaskey, Francis
Cobb, James

Sustained Superior Performance

Houston, Georgia
Green, Jimmy
Skeen, Martha
Rosapep, Ronald
Gurecky, Albert

Special Service Award

Ashley, Joe D.
Babcock, Freeland V.
Baldwin, Eloyd W.
Basinger, Robert P.
Burgess, Edward A.
Casper, Keith L.
Edwards, Thomas H.
Epperson, Robert J.
Fath, Frank A.
Fazio, James F.
Frentzel, John S.
Forbes, Harold A.
Gobbi, William A.
Harding, James E.
Hill, Joe D.
Hood, John L.
Johnson, Wilfred R.
Jones, Alphonso R.

Landis, Donald V.
Looney, Milton A.
McCollough, Samuel J.
McIntosh, John F.
Milam, Johnny M.
Murray, Dennis M.
Myers, Sonja T.
Ogburn, Lloyd A.
Phillips, Paul H.
Sack, John J.
Samberson, J. L.
Serio, Charlie A.
Tueller, Arlin
Voyles, Robert R.
Westbrooke, Pauline R.
White, James D.
Wright, James V.

Special Act Award

Coffelt, Robert E.

Boston

Quality Step Increase

Scott Shaw

Sustained Superior Performance

Joyce Kokoska

Special Service Award

Caputo, John
Matter, Robert
Lum, Herbert
David, Clarence
Mooney, Richard
Kelley, James
Kelley, James
Kaplan, Leonard
Herskowitz, Joshua
Cook, Irvan
O'Falt, Anthony

Vendt, William
Talalas, Walter
Cox, Robert
Donahue, Edward
Dilello, Anthony
Ebner, Sigmund
Robinson, Charles
Schepis, John
Panetta, Edward
Arena, James
Gustavson, Roy
Meehan, Joseph
Dzivak, David
Queijo, Anthony
Arnold, Gary
Dietrich, Robert
Grady, Robert
Brovillard, Henry
Giangrande, John
Hatch, Robert
Pagliarulo, Patsy
Piselli, Russell
Maloney, Michael

Professional activities . . .

Headquarters

C. O. Starrett, Jr., DCAA Director, addressed the National Security Industrial Association in Dallas, Tx.

Atlanta

Daniel J. McCarthy, auditor, Houston Branch Office, Atlanta Region was awarded a CPA certificate from the state of Texas.

Tita Rabang, senior auditor, Houston Branch Office was awarded a Certified Cost Analyst certificate.

Charles R. Harris, senior auditor, North Carolina Branch, was awarded a CPA certificate from the state of North Carolina.

Michael Uss Jr., supervisory auditor, Nashville Branch Office was awarded a CPA certificate from the state of Tennessee.

Boston

Robert W. Matter, Deputy Regional Director, Boston Regional Office, spoke before AGA, Long Island Chapter on *"Fraud, Waste and Abuse — An Update."*

Chicago

Gregory A. Levan, auditor, Indianapolis Branch, was selected for the 1984 Outstanding Young Men of America award, sponsored by the U.S. Jaycees.

Field Detachment

Thomas L. Swanson, auditor, was awarded a CPA certificate from the state of Pennsylvania.

Los Angeles

Patrick D. Mirch, Regional Director, Los Angeles Regional Office, spoke on *"Current Issues in Government Contracting: The Government's Perspective"*

before the California Society of CPAs. **Mirch** also spoke before the NCMA 21st Annual Education Symposium on *"Life After Contract Award: Who Runs the Show"* as well as speaking before the San Gabriel Valley Chapter of NCMA on *"DCAA Audit and Management Initiatives."*

Joel Valenzuela, Deputy Regional Director, Los Angeles Region, spoke before the Southern California Chapter — Institute of Cost Analysis on *"Cost Analysis Techniques and Cost Performance Warranties."* **Valenzuela** also spoke on *"DCAA Audit and Management Initiatives"* before the DCASR LA Chiefs, Contract Management Divisions.

Russell G. Akers, auditor, Inglewood Branch Office, was awarded a CPA certificate from the state of California.

Keith M. Sharp, auditor, Santa Ana Branch Office, was awarded a CPA certificate from the state of California.

Steven Hernandez, auditor, Hughes-Fullerton, is teaching *"The Role of DCAA"* at Hughes Aircraft Company — GSC, Accounting Course in Fullerton, Calif.

Philadelphia

Julie Bryant, auditor trainee, Newport News Resident Office, is participating at Christopher Newport College, Newport News, VA. in a College Relations program.

Lawrence Decristofaro, auditor, Meadowlands Branch, spoke before the Business Law class, at St. Elizabeth College on *"Fraud: A Practical Perspective."*

Andrew T. Habina Jr., resident auditor, Newport News Resident Office, is participating in a College Relations program at Christopher Newport College, Newport News, VA.

Gerald McInnis, senior auditor, Newport News Resident Office, participated in Career Day at the Hampton University and Norfolk State University located in Virginia.

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San Francisco

Kent D. Godfrey, branch manager, Rainier Branch Office, was awarded a CPA certificate from the state of Washington.

Pamela Kalis, auditor trainee, St. Paul Branch Office, is speaking at a local high school on "Career Opportunities With the Defense Contract Audit Agency."

James J. Redpath, auditor trainee, Hughes-Tucson Resident Office, was appointed Program Chairman of the Program Committee of AGA.

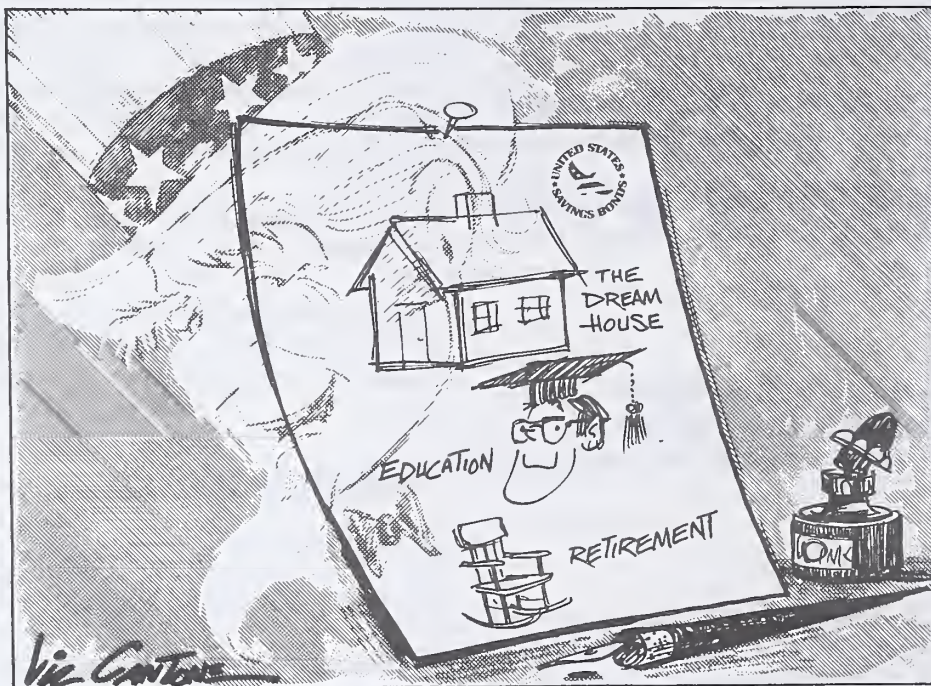
Ronald L. Reeder, branch manager, Honolulu Branch Office, spoke before the Hq 15th Air Base Wing, Hickam AFB, Hawaii, on "Defense Contract

Audit Agency — Who We Are." **Reeder** was also appointed chairperson of the Chapter Newsletter Committee of AGA.

Joseph S. Witcher, auditor, East Bay Branch Office, spoke on "Public versus Private versus Government Accounting" before the National Association of Black Accountants (students).

Gerald Woody, auditor trainee, Hughes-Tucson Resident Office, was appointed Chairperson of the Employment Referral Service Committee of AGA.

Felix L. Wylie, auditor, El Paso Suboffice, spoke on "The Pre-Award Audit: What is Involved and How to Prepare for It" before the Southwest Chapter of Small and Disadvantaged Businesses.



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WITH VARIABLE RATE
U.S. SAVINGS BONDS**